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RUEHLMC/MILLENNIUM CHALLENGE CORP WASHINGTON DC PRIORITY 1159
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SNAR, HO

SUBJECT: TFH01: STATUS OF USG ASSISTANCE TO HONDURAS

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11. (U) SUMMARY: Following the events of June 28 the United States Government has halted communications with high-level GOH officials and has been steadily suspending programs with the GOH in compliance with USG policy guidance. The following is a summary of the current status of actions taken by the agencies of the United States Government in Honduras. Also included are Comments and/or Recommendations for future actions.

UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)

Status: Case by Case or Active

12. (U) Description: If events of June 28 are determined to be a military coup or decree, the USG would be legally required by Section 7008 of the Foreign Assistance Act to suspend certain assistance programs. Section 7008 restricts direct assistance to the Government of Honduras but does not apply to assistance to promote democratic elections or public participation in democratic processes. It also does not restrict humanitarian assistance or assistance provided to the people of the country. While the question is pending, the USG has rightly suspended, as a policy matter as opposed to a legal requirement, assistance programs that would be suspended if Section 7008 were applicable and several development assistance programs that provide support to the Government of Honduras have been halted. These programs include direct or indirect USAID support to GOH ministries in basic education, environment, and family planning. Assistance suspended by USAID so far totals \$4.15 million. End summary.

13. (U) Programs covered by notwithstanding language, covering disease prevention including HIV/AIDS activities, child survival, disaster assistance and the provision of food aid have not been suspended. In addition, assistance to facilitate free and fair elections is still being provided. Each of these can be protected under Section 7008 and/or with notwithstanding authorities.

14. (U) Comments and/or Recommendations: The recommendation is that the USG pursue a gradual approach similar to peeling away the many layers of an onion in suspending assistance activities that ultimately benefit the people of Honduras. Most actions taken so far have been partial suspensions, that is, the suspension of those activities specifically providing technical and financial support to GOH ministries. Full suspensions of all activities in economic growth, environment, and education would include a broader range of activities including those with no direct links to the government. Suspensions of this nature would involve more funding and have greater impact.

15. (U) Direct/Indirect Assistance to the Government Not covered by Notwithstanding. Thus far the approach has been to focus on direct and indirect assistance to the government, which is not protected by notwithstanding language. The sectors most affected by this are education and family planning, though environment has also been affected. While most of these have been partial suspensions, full suspensions of programs directly implemented by the government were made on 7/22 in education and on 7/28 in family planning. Continuation along this course would mean suspension of more family planning and education programs. Please note that one of these programs (CETT) is a regional teacher training program with a public university, whose suspension would affect several countries in the region.

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16. (U) Notwithstanding. (Active) Even with notwithstanding authorities, the USG has flexibility in defining humanitarian and democracy/governance activities and aspects of each portfolio could be reduced. These suspensions, however, would come at a high cost and could lead to suspensions of high-priority programs including direct health care to mothers and children in poor areas and support for free and fair elections. All food aid programs are covered by notwithstanding authorities and are scheduled to conclude over the next six months. The food aid programs directly benefit people in extreme poverty and we recommend that these activities not be suspended. There are also elections assistance, rule of law, and municipal government programs that if suspended would undermine USG efforts to strengthen democracy-which is at the very core of the crisis. These programs, which will affect the direction of governance in the future of Honduras, should, in our opinion, not be suspended.

17. (U) Other Assistance. (Active) There is a wide range of activities that are not to or through the government. This includes activities in education, family planning, environment, maternal and child health, HIV/AIDS, municipal support, food security, civil society, and rural development. We recommend that these programs continue. In addition, USAID's FY 2008 Merida Funding was recently released by Congress and will be lost unless obligated by September 30. The failure to obligate these funds will have a negative impact on our gang prevention programs.

MILLENNIUM CHALLENGE CORPORATION

Status: Active, Case-by-case on new contracts.

18. (U) Description: The MCC program is entering its fifth and final year of implementation and all major activities are in full implementation. The program has committed nearly 90%

(\$186 million of the \$215 million) in contracts. The MCC has issued a strong warning letter under MCC Policy on Suspension and Termination regarding willingness to suspend or terminate funding.

¶9. (U) Comments: Because of the advanced state of implementation and the minimal margin in the Compact timeline, even a temporary suspension would render many of the activities unsalvageable by the September 2010 deadline. Preliminary analysis indicates that the liabilities and costs of severing some of the major contracts may nearly equal or exceed the cost of completing them. The precise financial, legal, operational and poverty cost of severing or suspending each contract is being analyzed by MCC.

¶10. (U) The MCC could continue a pause on new major contracts and review the approval of any new contracts on a case-by-case basis. This could hold progress on activities with uncommitted resources including unsigned Farm to Market Roads (approx. \$7 million) and purchase of equipment for the Weight Control System (approx. 4 million). If MCC pauses new Rural Roads contracts, the risk is that municipalities in rural communities may pull back their counterpart funding given further delays and the opportunity cost of that funding (particularly in an election year and following previous delays). If counterpart funding can not be replaced, MCC would be unable to improve these rural roads before the September 2010 deadline.

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¶11. (U) The MCC is preparing the bidding documents and implementation strategy (likely with World Bank) that would include the purchase of equipment for a Weight Control System (approximately \$4 million) for the road network. The risk of withholding this funding is a reduced impact and sustainability of the protection of the road infrastructure investments made by the GOH and multiple donors, including USG (the Weight Control System was incorporated in Compact at the behest of USG).

USMILGROUP

Training and Exercises (Trex)

Status: Suspended

¶12. (U) Description: The U.S. Southern Command (SOUTHCOM) Training and Exercises division funds these events on an annual basis, sometimes the funds are expended by components (i.e. Army South) and aim at interoperability training and combined exercises that help promote regional stability. Two examples are Fuerzas Armadas PANAMAX (PANAMAX) and the other is TRADEWINDS. PANAMAX is one of the largest multinational training exercises in the world, involving more than 30 ships, a dozen aircraft and 7,000 personnel from 20 nations. The U. S. Southern Command-sponsored exercise focused on ensuring the defense of the Panama Canal, one of the most strategically and economically crucial pieces of infrastructure in the world. Honduras is scheduled to receive \$12,000 of Developing Countries Combined Exercise Program (DCCEP) funds for PANAMAX execution. PANAMAX is scheduled to take place 8/24 - 9/16. TRADEWINDS is an exercise that involves multinational field and maritime training, tailored to regional defense. The estimated cost associated with the exercise is as follows: exercise-related construction: \$90,000, DCCEP: \$250,000, CE2 Funds (SOUTHCOM TADTAR): \$10,000. TRADEWINDS is scheduled to take place March 3-17 2010, current status is suspended.

¶13. (U) Comments and/or Recommendations: These events only impact military-to-military engagement and they are currently suspended; recommend continued suspension of Honduras Armed Forces (HOAF) participation unless the political situation is resolved prior to the commencement of these or other TREX

exercises.

Foreign Military Financing (FMF)

Status: Suspended

¶14. (U) Foreign Military Financing, the U.S. government program that finances the acquisition of U.S. military articles, services, and training through grants or loans, supports U.S. regional stability goals and enables friends and allies to improve their defense capabilities. There are \$33 million in committed funds toward Foreign Military Sales (FMS) cases. \$3.5 million is currently being withheld from Honduras.

¶15. (U) Comments and/or Recommendations: No new FMS cases will begin; cases that are implemented will not deliver goods or services.

Counter Terrorism Fellowship Program (CTFP)

Status: Cancelled.

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¶16. (U) Description: A Department of Defense (DOD) capacity building tool that directly supports the war on terrorism by providing targeted and specific combating terrorism (CT) education for partner nations. There are six events scheduled as of July 9.

¶17. (U) Comments and/or Recommendations: All events have been cancelled; if the political situation is resolved prior to the beginning of a CTFP sponsored event, HOAF may be allowed to participate on a case-by-case basis.

Global Peace Operations Initiative (GPOI)

Status: Suspended.

¶18. (U) Description: The GPOI program addresses major gaps in international peace operations support. The program aims to build and maintain capability, capacity, and effectiveness for peace operations around the world. There are two events scheduled as of July 9.

¶19. (U) Comments and/or Recommendations: The two GPOI events, one in July and one in August, have been cancelled; if the political situation is resolved prior to the beginning of a GPOI sponsored event, HOAF may be allowed to participate on a case-by-case basis.

Traditional Commander Activities (TCA)

Status: Suspended.

¶20. (U) Description: This program is funded by SOUTCOM to facilitate and encourage military-to-military engagement; there were 18 events programmed through the end of FY 2009; all events are being cancelled by critical cancellation date: we are conducting no engagement activities per U.S. policy.

¶21. (U) Comments and/or Recommendations: Only impacts military-to-military operations; if the political situation is resolved prior to the beginning of a TCA sponsored event, HOAF may be allowed to participate on a case-by-case basis.

International Military Education and Training (IMET)

Status: Suspended.

¶22. (U) Description: The IMET program is a low cost, key funding component of U.S. security assistance that provides training on a grant basis to students from allied and friendly nations to attend U.S. military schools and training events. There were 24 events funded through the end of FY

¶2009. Five students remain in U.S. courses begun prior to June 28 per the Chief of Mission's guidance.

¶23. U) Comments and/or Recommendations: Honduras IMET account will be charged a cancellation fee of 50 for courses cancelled 60 days prior to start date. MILGRP is managing these events on a case-by-case basis and is cancelling courses at the critical cancellation date with the intent of preventing the 50% cancellation fee.

Army Corps of Engineers (USACE)

Status: Case by Case

¶24. (U) Description: The U.S. Army Corps of Engineers funds several engineering projects that help build partner nation

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infrastructure. There are currently two projects in process. The Caratasca Naval Base, funding source 1004 CNT funds, \$1.95 million, is 40% complete, with an estimated completion date of August 1, 2009; and the Potable Water Plant in La Venta, funding source Humanitarian Assistance, \$136,000, is at 99% completion.

¶25. (U) There are three other projects that were scheduled for award this fiscal year. 1) The Naval Base Guanaja, funding source 1004 CNT funds, \$1.3 million; 2) Repair Carlons Renya School, funding source Humanitarian Assistance, \$150,000; 3) Build school in Cocota La Mosquitia, funding source Humanitarian Assistance, \$250,000. If contracts for these projects are not awarded by August 31, 2009, then all FY 2009 money becomes de-obligated and Congress must re-appropriate the money for FY 2010.

¶26. (U) Comments and/or Recommendations: Completing these engineering projects have a favorable local impact for the United States, however, Honduran military involvement varies. These projects should be approved on a case-by-case basis or funding will be lost.

Counterdrug Funding (CD)

Status: Case by case.

¶27. (U) Description: This program aims to prevent drug trafficking in Honduras. Counter Drug equipment money, \$500,000 has been approved for FY 2009 for equipment. Counter Drug construction money, \$1.95 million Caratasca and \$1.3 million Guanaja Naval Base construction, was approved for these two engineering projects (see USACE above).

¶28. (U) Comments and/or Recommendations: Projects funded by CD should be approved on a case-by-case basis; not doing so can have negative impact on U. S. efforts against drug trafficking.

Humanitarian Assistance Program (HAP)

Status: Case by Case

¶29. (U) Description: This program provides small cost humanitarian assistance to the local community. Honduras military usually involved minimally as a labor or security force; will not start any new HAP projects. There were ten events funded and currently being executed through end of FY ¶2009.

¶30. (U) Comments and/or Recommendations: Continue this program: there is favorable local impact for the United States and there is little to no HOAF involvement.

Enduring Friendship (EF)

Status: Case by Case

¶31. (U) Enduring Friendship is a SOUTHCOM sponsored maritime security initiative that is funded by 1206, FMF and Merida that provides training and equipment. Approximately \$4.7 million in equipment (four fast boats, communications equipment, etc.) have been delivered; communications support packages are currently being delivered. \$1.3 million in future EF procurements is currently being withheld from Honduras.

¶32. (U) Comments and/or Recommendations: Continue to deliver
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communications support packages since these will benefit U.S. policy in its counter drug efforts and the funds are already committed and contracted. No new purchases with existing EF monies.

Latin American Cooperation Funds (LATAM COOP)

Status: Suspended.

¶33. (U) Description: Latin American Cooperation Funds are DOD monies that are used to facilitate and encourage military-to-military engagement and helps augment where TCA cannot fund an event. There were two events programmed through FY 2009.

¶34. (U) Comments and/or Recommendations: Only Impacts Military to military engagement; if the political situation is resolved prior to the beginning of a LATAM COOP sponsored event, HOAF may be allowed to participate on a case-by-case basis.

Miscellaneous Military Programs and Projects

Status: Suspended.

¶35. (U) Description: This miscellaneous category captures events, exercises, or projects that were funded by SOUTHCOM or its components (i.e. Joint Task Force -- Bravo, Army South, Marine Forces South, et. al.) and are usually Operations and Maintenance (O&M) or Training and Exercise funds -- these differ from TREX funds in terms executive agency for the funds -- used to facilitate military-to-military engagements, training, and/or exercises. There were 14 events programmed through FY 2009.

¶36. (U) Comments and/or Recommendations: Only impacts military-to-military operations; if the political situation is resolved prior to the beginning of a sponsored event, HOAF may be allowed to participate on a case-by-case basis.

¶37. (U) Comment: If the USG pursues a more vigorous suspension approach we could stop posting trainees from the states, stop construction activities, end humanitarian assistance, stop foreign military funding and abandon the Guanaja base project.

JOINT TASK FORCE BRAVO (JTF-B)

Status: Case-by-Case

¶38. (U) Description: Joint Task Force-Bravo continues to follow guidance from USSOUTHCOM regarding movement of personnel and approval for missions. Personnel are restricted to base except for approved official business to include travel to/from the airport for permanent changes of assignment and approved TDYs. Other exceptions are handled on a case by case basis. JTF-B continues to plan for and conduct missions outside of Honduras. Missions within Honduras are limited to unilateral training and FHA/DR preparation and local training that can be conducted without the Honduran military or contact with high-level GOH officials. JTF-B will confer with lower-level GOH civilian

personnel as necessary to plan and conduct missions and prepare for contingencies. All Counter Narco-Terrorism/Counter Drug (CNT/CD) missions within Honduras are suspended in conjunction with restrictions on the DEA.

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¶39. (U) Comments and/or Recommendations: JTF-B recommends restrictions for DEA engagement with Honduran law enforcement be eased to allow resumption of the CNT/CD mission in support of U. S. national security.

INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT (INL) -----

Note: INL programs are covered by notwithstanding authorities
Drug Enforcement Administration (DEA)

Status: Case by Case

¶40. (U) Description: The DEA's mission in Honduras is to enforce the controlled substances laws and regulations in the United States by assisting and advising the Honduran Government in the interdiction of drug shipments destined for illicit traffic in the United States and to target and dismantle major drug trafficking organizations utilizing Honduras as a base for operations. In order for an enforcement operation to be affected, it is essential that an element of the Honduran National Police (HNP) be present with DEA, and in essence the HNP is assisting the DEA in carrying out its mission in Honduras. INL manages funding for the DEA sponsored Honduran National Police Vetted Unit. DEA Agents, by U.S. Law, need to be accompanied by their foreign counterparts, local law enforcement, to carry out arrests and raids on foreign soil.

¶41. (U) Comments and/or Recommendations: Due to the political situation in Honduras, Counter Drug and Terrorism (CNT) missions are currently suspended except for a case by case basis. The DEA in Honduras has been granted permission by the Ambassador to work with the Vetted Unit on a case-by-case basis with his approval. Because of the present situation, the DEA has suspended all interdiction efforts. The DEA has verified several incidents in recent weeks, where illegal narcotic shipments have passed through Honduras without interruption or an attempt to interdict the shipment. It is recommended that the DEA in Honduras be able to resume interdiction efforts and that the DEA be able to continue working with the Vetted Unit in its fight against illegal narcotics trafficking. The DEA in Honduras is providing minimal support to the Honduran National Police Vetted Unit at the moment. This minimal support has enabled the Vetted Unit to remain functional and somewhat effective. If this support was suspended, the Vetted Unit would be disbanded and probably would not be reconstituted at a later date.

Combined Operations - Technical Area Task (TAT)

Status: Active

¶42. (U) Description: This program enables the U. S. Coast Guard to intercept and seize Honduran flagged vessels and crew. The total funding available is committed for the Host Nation Ship Rider program for Technical Area Task (TAT) to coordinate Honduran Naval and Police officers serving on U.S. Coast Guard cutters and provides vital assistance in narcotics interdiction missions.

¶43. (U) Comments and/or Recommendations: Funds will expire 9/30/09. Suspension has direct impact on U.S. Law Enforcement operations.

INL - Law Enforcement

Antigang Program

Status: Inactive

¶44. (U) Description: The INL Honduras component of the Regional Antigang Initiative vets, equips, trains, and mentors the Honduran National Police (HNP) Gang Unit. Top priorities are: (a) integrating HNP Antigang units into the ICE Vetted Unit to fulfill ICE's Operation Community Shield mandate in Honduras; (b) documenting and controlling gangs in prison; (c) expanding the HNP Joint Information Communications Center (CEINCO) for gang intelligence to HNP and U. S. Law Enforcement; (d) Vetting and expanding the HNP kidnapping Unit; and (d) establishing multi-service anti-gang task force and developing relationships with U. S. Law Enforcement to receive, analyze, and disseminate real time gang intelligence to Honduran and U. S. law enforcement.

¶45. (U) Comments and/or Recommendations: Status likely means unimpeded or increased gang activity in prisons and between Honduras and the United State, loss of vetted agents, safe houses, polygraph initiative, diversion of HNP and U. S. Law Enforcement Resources, continued kidnapping of American Citizens and no HNP criminal intelligence networks with U. S. law enforcement.

Improved Prison Management

Status: Partially Active

¶46. (U) Description: Strengthens capacity of the HNP correctional system to control prisoners, especially violent gangs and organized crime. Improves intelligence collection, analysis, and exploitation; vets, trains, equips, and mentors corrections officials and Security Threat Intelligence Units; strengthens Corrections Academy; creates a U.S. and regional corrections officer exchange program; supervises building of maximum security and segregation facilities. INL Regional Corrections Advisor (USPSC) supports a Honduran Prison Management Plan.

¶47. (U) Comments and/or Recommendations: Suspension would mean that gangs, kidnappers, and organized crime will continue to operate, often against American citizens. This is critical as prisoners prepare to release undocumented gang members whose prison terms are up beginning this year.

Police Intelligence

Status: Inactive

¶48. (U) The Joint Information Communication Center (CEINCO) is the intelligence unit of the HNP. INL supports training, technical assistance and logistical support to improve police intelligence and investigation to provide real time intelligence analysis and reports to HNP and US law enforcement. As part of GOH anti-corruption efforts, INL had just begun expanding, training and equipping CEINCO's Polygraph Unit.

¶49. (U) Comments and/or Recommendations: Status delays polygraph tests for INL program participants and vetted units, needed to achieve a reliable and effective police force. Implementation of planned intelligence exchange networks with US law enforcement for investigation of transnational criminal organizations is also hindered.

Police/Prosecutor Training

Status: Inactive

¶50. (U) INL supports training police, prosecutors and judges in investigation, complex case preparation and prosecution, through DOJ, ICE, FBI and US local LE agencies. INL supports US and regional networks of investigators and prosecutors to pursue criminal organizations in US and Honduran courts. A priority is FLETC tactical training of the ICE Vetted Unit at the Federal Law Enforcement Training Academy in Glencoe, GA.

¶51. (U) Comments and/or Recommendations: The effectiveness of FBI and ICE networks is undermined and improvements in the local conviction rate of criminals charged are impeded.

Border Control and Interdiction

Status: Inactive

¶52. (U) Description: INL strengthens the capacity of the HNP to interdict weapons, drugs, asset laundering, illegal immigration, and movement of violent transnational gangs and organized crime at borders where local law enforcement presence is limited.

¶53. (U) Comments and/or Recommendations: Suspending support in equipment, facility upgrades, training, and enhanced communication will perpetuate the limited capacity of the HNP to interdict these activities of concern to U.S. law enforcement.

Improved Policing/Police Communication

Status: Inactive

¶54. (U) Description: INL supports nonlethal and IT equipment for effective Law Enforcement and complements better use of other program elements such as intelligence and investigative technologies. The Police Communication program also improves HNP operations through communication equipment and training.

¶55. (U) Comments and/or Recommendations: Expanding and integrating the National Automated Case Management Information System (NACMIS) a real time database system into FBI, ICE, and U.S. Law Enforcement is a top priority whose suspension would delay U.S. Law Enforcement access to over 25 million records for criminal investigations.

Central American Fingerprint Exchange

Status: Inactive

¶56. (U) Description: FBI will establish an electronic system to manage fingerprint records in Central America, linked to FBI and U.S. Law Enforcement databases.

¶57. (U) Comments and/or Recommendations: Suspension will hinder both U.S. and Honduran Law Enforcement from detecting criminal, (including gang) movements in the region and in the United States.

Trafficking in Persons (TIP)

Status: Inactive

¶58. (U) Description: Strengthens Honduran TIP laws through

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purchase of cameras to improve the effectiveness of TIP investigations by the Special Prosecutor for Children, often involving American Citizen perpetrators and/or traffic to the United States.

¶59. (U) Comments and/or Recommendations: Funds will expire on 09/30/09.

Community Policing and Gang Prevention

Note: Partially implemented through Civil Society and NGOs.

¶60. (U) Status: Largely Inactive. Support to the Model Precinct and HNP has been stopped, although no official notification has been sent. Support to NGOs and CSOs can recommence.

¶61. (U) Description: The regional gang initiative supports community policing and precinct management to counteract gangs by creating safe neighborhoods and collaboration between police, judiciary, civil society, and citizens. Post has gained special access to security information from San Pedro Sula, a principal base for gangs, drug trafficking, and illegal gang migration to the United States.

¶62. (U) The gang prevention program funds assessments, contracts, and grants to NGOs, civil society, and HNP to work with at-risk youth in barrios, schools, and centers for education, gang prevention, and reinsertion of ex-gang members into society. INL needs to pilot these programs in the San Pedro Sula Model Precinct, a center of gang operations, and staging area for illegal drug and gang traffic to the United States.

¶63. (U) Comments and/or Recommendations: Community policing program requires simultaneous and complementary support to both HNP and civil society. The hiring process for a US PSC in Policing has been stopped. Opportunities for training of teachers and school resource officers are being lost. The recently inaugurated National Campaign against Violence in Sports, aimed at curbing gang infiltration of and violence by youths in soccer fan clubs, has been stopped while violence increases.

IMMIGRATION AND CUSTOMS ENFORCEMENT

¶64. (U) Status: Partially suspended all contact with senior GOH officials; contact with lower ranking government officials continues. INL support to augment Vetted Unit (transnational gangs) has been suspended.

¶65. (U) Description: The Immigration and Customs Enforcement (ICE) Assistant Attach Tegucigalpa (IAAT) office primary function is to support ICE initiatives, investigative, and operational activities, and to represent the Department of Homeland Security with various functions. IAAT investigative responsibilities focus on US National Security issues and U.S. Law Enforcement Cases (terrorism/special interest aliens, transnational gangs) through international investigations involving transnational criminal organizations responsible for illegal movement of people, goods, technology, narcotics, and munitions into the United States. Since ICE cannot conduct legal investigations nor apprehend persons of interest in Honduras, IAAT instituted a Vetted Unit supported by the Honduran National Police personnel supported by ICE and INL, under direct supervision by ICE.

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¶66. (U) Comments and/or Recommendations: At an appropriate time, it is recommended that ICE in Honduras be allowed to continue normal daily operations, working in conjunction with the Honduran National Police Vetted Unit, in support of ICE initiatives, to include investigative and operational activities. If suspended, the Vetted Unit would be disbanded and U.S. National Security would be jeopardized. In addition, INL support is needed to complete the equipping of the Vetted unit safe house and augmentation of the Vetted Unit with law enforcement agents/officers who specialize in transnational gangs.

ECONOMIC SECTION

Cybercrime Conference

Status: Cancelled

¶67. (U) Description: Conference to take place in Panama August 25-27 for Central American participants

¶68. (U) Comments and/or Recommendations: OAS has said that Honduras is no longer eligible to attend; post should not send nomination.

Latin American Copyright Program

Status: Deferred

¶69. (U) Description: Program in Alexandria October 5-9 (in USPTO). Program concentrates on copyright law and policy for the benefit of eight countries.

¶70. (U) Comments and/or Recommendations: Nomination due by August 5; post has not submitted nomination.

U.S. TREASURY OFFICE OF TECHNICAL ASSISTANCE

Status: Suspended

¶71. (U) Description: The U.S. Treasury Department's Office of Technical Assistance has four active programs in Honduras--Government Debt Issuance and Management, Budget and Financial Accountability, Revenue Policy and Administration, and Economic Crimes. Both the Debt and Budget programs have Resident Advisors in Honduras that work out of the Ministry of Finance, along with their assistants. The Revenue program has a permanent office in the Tax Authority (DEI), manned by three assistants. There are six intermittent advisors who work on several large projects. The Economic Crimes program had an intermittent advisor who liaised with CNBS; however, he recently left the program and a new person has not yet been assigned.

¶72. (U) In response to the coup d'tat, the Resident Advisors have been withdrawn from their offices in the Ministry of Finance, and the Intermittent Advisors have been told to refrain from coming to Honduras.

¶73. (U) Comments and/or Recommendations: If the political situation remains unresolved, these programs can be shut down with only a moderate financial impact. There would be costs related to the relocation of the two Resident Advisors. The Revenue program is partially funded by the World Bank;

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performance of that portion of the program is governed by a contract between Treasury and FIDE (Investment and Export Development Fund). The contract can be terminated for cause (upon 30 days' notice) or for convenience (60 days' notice). Other than Force Majeure (whose application could be questioned), there is no cause for termination. In the case of Force Majeure, FIDE would need to have been notified of its applicability within 14 days of the events giving rise to Force Majeure. Once the contract is terminated, there is minimal hope of going through another procurement process to enter into another one, should the program be permitted to re-start. There are reimbursements pending for work already performed that would have to be worked out. In addition, there would be severance costs for the local assistants. After these costs are covered, the remainder of the congressionally allocated funds (TIATA) used in Honduras to fund the Treasury program would be redirected to programs in other countries.

¶74. (U) The Office of Technical Assistance (OTA) programs are only partially completed and abandonment will be a setback

for the Hondurans. In some cases, counterparts at the Ministry of Finance could continue implementation of the projects independently, using the standards already established and employing the training already provided.

¶75. (U) In the case of the HR Revenue Program at the DEI, cessation of assistance would not only result in incomplete, inconsistent, and/or improper implementation of HR reform initiatives, but would negatively impact the DEI's efforts to improve revenue collection.

DEPARTMENT OF COMMERCE

Honduras Private Sector Transparency Program

Status: Ongoing

¶76. (U) Description: FUNDAHRSE (Honduran Foundation for Corporate Social Responsibility) is a long-standing ITA Good Governance Program Partner and supports U.S. Department of Commerce goals to promote a transparent and secure business environment in Honduras. The recipient has complied with all award terms and all expenses have already been incurred.

¶77. (U) Comments and/or Recommendations: Since there is no Honduran government involvement, Good Governance program staff recommends disbursing the second payment of the grant without delay.

UNITED STATES DEPARTMENT OF AGRICULTURE (USDA)

Food for Progress (FFP)

Status: Active

¶78. (U) Description: USDA signed Food for Progress (FFP) Agreements with the GOH in FY 2005 and FY 2006. The GOH monetized a total of 57,000 MT of commodities and these proceeds are used to: 1- Support the Strategic Plan for the Agri-food Sector and Rural Areas of Honduras; 2- Trade Capacity Building; and 3- Support the operation of the technical office for the FFP agreement implementation. As of June 2009, a total of \$612,050 of FFP funds is pending to be disbursed: \$552,050 to finance GOH programs and \$60,000 for NGO programs. The GOH has hired/contracted the

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Inter-American Institute for Agricultural Cooperation (IICA) to administer the funds.

¶79. (U) The FFP program beneficiaries are small and medium sized farmers and small and medium-sized agribusiness. The objective is to improve agricultural production to fully engage in modern commercial trade and take advantage of CAFTA-DR. The direct beneficiaries of Trade Capacity Building are the GOH offices with the responsibility for achieving and applying international standards for agricultural and food products (including regulations, inspection, food safety and surveillance units). Indirect beneficiaries are agricultural producers and food processors to be able to more easily access U.S. food inputs and gain entry to U.S. and third country markets.

¶80. (U) Comments and/or Recommendations: Temporarily suspend financing for FFP government-to-government programs. There may be legal issues involved with this action. Precise vetted language will be needed to explain the recommended suspension-assuming there are no legal restrictions.

Cochran Fellowship Program (CFP)

¶81. (U) The CFP is administered by USDA/FAS. USDA appropriated funds are used to provide U.S.-based agricultural training opportunities for senior and mid-level

specialists and administrators from public and private sectors who are concerned with agricultural trade, agribusiness development, management, policy, and marketing.

Status: Case by Case

¶82. (U) Description: Training in Establishing Microbiological Criteria for Food Safety (September/October 2009) and Biotechnology (September 13-25) for GOH Officials. Risk Analysis in Grains and Quarantine Controls for OIRSA (International Organism for Regional Agricultural Sanitation) (August 2009).

¶83. (U) Comments and/or Recommendations: Recommend continuation of the regional OIRSA program which will increase Honduran Sanitary and Phytosanitary capacity. Others can be postponed.

Emerging Markets Program (EMP)

Status: Case by Case

¶84. (U) The EMP is a market access program that provides funding for technical assistance activities intended to promote exports of U.S. agricultural commodities and products to emerging markets. The program is authorized by the Food, Agriculture, Conservation, and Trade Act of 1990, as amended. All funds must be spent in FY 2009. Under EMP the following activities were planned:

a) Scientific Exchanges and Trade and Scientific Capacity Building

Status: Active

¶85. (U) Description: Convince Central American Countries to adopt science-based standards for Salmonella Prevalence Study Training. Program included participation of one GOH and one private sector representative. Beginning August-September ¶2009.

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¶86. (U) Comments and/or Recommendations: Recommend to continue. This regional training program will enable Central American countries like Honduras to adopt science-based standards for Salmonella in poultry to preserve U. S. exports to the region. Honduran participation is critical to the success of this activity.

b) Tariff Rate Quota (TRQ)

Status: Cancelled

¶87. (U) Description: Improve transparency of the TRQ management in Honduras for CAFTA's implementation.

c) Regional and Western Hemisphere Gatherings

Status: Case by case

¶88. (U) Description: Western Hemisphere Codex Colloquium (August 4-6) and Seminar on Cold Chain Standards (August 10-12).

¶89. (U) Comments and/or Recommendations: Training for GOH officials has been cancelled. Participation of the private sector is recommended.

Trade Capacity Building Program

¶90. (U) USAID provides funds to USDA/Foreign Agricultural Service (FAS) to implement various agricultural projects. TCB programs support implementation of CAFTA-DR. TCB funds are multi-year funds available through FY 2010.

Status: Cancelled or postponed

¶91. (U) Description: Training programs in Foreign Animal Disease, Minimum Residues Levels on Pesticides, Plant Health Diagnostic, Plant Health Systems, Plant Diseases Diagnostic, and Seafood Hazard Analysis and Critical Control Points.

¶92. (U) Comments and/or Recommendations: Much of the training involving GOH Officials was cancelled while others were postponed until U.S. policy permits them to take place.

Forest Service IP Programmatic Support to the GOH
Status: Postponed

¶93. (U) Description: USAID provides funds to USDA/Forest Service (FS) to implement various agricultural projects. The FS funds are "no year" funds. Biodiversity-earmarked funds from the Participating Agency Program Agreement (PAPA) are used for this project. The objective is to provide technical assistance and support to the GOH to improve natural resource management.

¶94. (U) Comments and/or Recommendations: Postponed until U.S. policy permits technical assistance to take place.

Agricultural Research Service (ARS)

Status: Active

¶95. (U) Description: USDA/Agricultural Research Service (ARS) appropriated funds, 7 USC 3318(b). ARS appropriated from FY05 and FY08. The funds were obligated (can be spent until 9/29/10) to a private Honduran agricultural research foundation via a specific cooperative agreement. The objective is to develop improved fruit fly trapping and

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control systems and integrated pest management programs for control of exotic fruit flies that threaten U.S. agriculture. This program is carried out with the private Honduran Agricultural Research Foundation (FHIA).

¶96. (U) Comments and/or Recommendations: Recommend continuation. Information from this program is critical for state and federal action agencies in the United States for use in detection and delimitation of fruit flies.

Faculty Exchange Program (FEP)

Status: Active

¶97. (U) Description: FEP uses appropriated USDA funds to bring qualified agricultural educators from progressive agricultural institutions of higher learning to the United States to increase their knowledge of, and ability to teach, agricultural economics and marketing, agribusiness, and agrarian law in a market-based economy. The objective of the training is on biotechnology and SPS issues related to trade in horticultural products (August 7-December 2009). The semester-long training will expose the participant from a private university to U. S. systems, rules, and regulations related to SPS products. Participant will incorporate this information in both formal classes and adult education.

¶98. (U) Comments and/or Recommendations: Recommend Continuation.

Other Programs:

Status: Cancelled

¶99. (U) Description: Includes Food and Drugs Administration (FDA)'s training in Food Defense (prevention of intentional contamination) and Dietary Supplements (introduction of FDA guidelines).

¶100. (U) Comments and/or Recommendations: These were cancelled because the participants are from the GOH.

OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

Status: Suspended

¶101. (U) Description: Overseas Private Investment Corporation's (OPIC) political risk insurance and financing exposure in Honduras totaled \$231.2 million for 14 projects as of March 31, 2009. Existing political risk insurance and financing commitments will be honored. Following the June 28, 2009 coup, OPIC downgraded its status in Honduras from "Open" to "Review", which means projects in OPIC's pipeline will be subject to added higher-level approval by OPIC's President and CEO.

¶102. (U) Comments and/or Recommendations: At this time, OPIC has suspended consideration of four finance projects with an aggregate investment of \$275.8 million and the possibility of equity financing through six investment funds.

EXPORT/IMPORT BANK (EXIM)

¶103. (U)

Status: One pipeline project is moving forward towards a

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fourth quarter decision. Description: The Board of Directors of the Export-Import Bank (EXIM) makes its decisions to support or decline financing requests based on the "reasonable assurance of repayment" standard set forth in the EXIM Charter. This authority is subject, however, to issuance of a Chafee determination which, if and when issued, precludes EXIM from supporting the transaction identified in such determination. The power to issue a Chafee determination was originally given to the White House but was subsequently delegated to the Secretary of State. EXIM has one project in the pipeline. The Cerro de Hula project is a 100.5 MW wind farm being developed using GE wind turbines. The \$250 million project is with Energa Eslica which will sell all of its generated power into the national grid.

¶104. (U) Comment and/or Recommendation: The process to put a proposal before the Board is moving forward at this time. Energa Eslica is in the process of getting a sovereign guarantee from the Honduran government for the off take payments from ENEE (the national energy company), and EXIM is conducting due diligence on the project. If sovereign support of the off-take contracts is confirmed and the due diligence continues as anticipated, then September 2009 is the earliest the project can be presented to the EXIM Board for approval. After the approval it generally takes several weeks to a few months, depending on the complexity of the financing, for documents to be drafted, reviewed, and signed.

PEACE CORPS

Status: Ongoing

¶105. (U) Description: Peace Corps has been monitoring the situation closely and restricting travel of its Volunteers as appropriate. Volunteers have been reporting that the situation on the ground as being largely quiet and calm and no Volunteers have experienced any safety and security incidents.

¶106. (U) Comments and/or Recommendations: While the Foreign Operations Act includes prohibition of foreign assistance in the event of a coup d'tat, it also states that provisions in this or any other Act authorizing or making appropriations for foreign operations shall not be construed to limit

activities of the Peace Corps. We would therefore recommend continuation of Peace Corps; security and safety permitting.

PUBLIC AFFAIRS

International Visitor Leadership Program (IVLP)

Status: Active

¶107. (U) Description: Regarding aid and assistance funds, The International Visitor Leadership Program is supported by two Acts, Smith-Mundt (1948) and reaffirmed with the Fulbright-Hays Act (1961). These Acts refer to the value of the exchange of persons who are potential leaders in government, politics, media, education, arts, business and other fields. These individual exchanges are in the self-interest of the United States since they promote mutual understanding. These exchange program funds are set aside by Congress for this purpose. The funding does not qualify as aid or assistance monies. All the Honduras IVLP candidates except for two will travel in calendar year 2010 and all travelers were selected as FY10 participants.

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¶108. (U) Comments and/or Recommendations: Considering that the monies set aside for IVLP programming is related to the two Acts regarding exchanges devoted to mutual understanding, PAS Honduras recommends that all nongovernmental travelers selected for IVLP programs for FY 2010 be allowed to participate. We recommend, however, that those who are members of the Micheletti regime not be allowed to participate.

Fulbright Program

Status: Active

¶109. (U) Description: Post has been advised by Washington, Office of Policy and Evaluation, Bureau of Educational and Cultural Affairs, that ECA does not have assistance programs or aid monies. Consequently, Fulbright/Humphrey programs are frequently exempted from sanctions, as has been the practice under the Smith-Mundt and Fulbright-Hays Acts. The selection of Fulbright candidates for FY09 has been completed and those selected are en route to their assignment and their studies.

¶110. (U) Honduras has a world-unique program that is sponsored by the Central Bank in partnership with the Institute of International Education and Fulbright. The Bank has pledged to fund two of the Fulbright candidates we indicate to them after the selection process is completed. The Bank has no role in indicating or selecting candidates. Once the two students are identified, IIE fosters those persons with the other Honduran Fulbrighters and the Bank pays all costs directly to IIE on their behalf, except for health insurance, administrative costs and pre-academic programs, if needed.

¶111. (U) Comments and/or Recommendations Considering that the monies set aside for Fulbright programming is related to the two Acts regarding exchanges devoted to mutual understanding, PAS Honduras recommends that all Fulbright candidates selected programs for FY 2010 be allowed to participate.

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